

POLICY AND INTERGOVERNMENTAL AFFAIRS COMMITTEE

Council of the County of Maui

MINUTES

February 9, 2016

Council Chamber, 8th Floor

CONVENE: 9:05 a.m.

PRESENT: Councilmember Michael P. Victorino, Chair
Councilmember Don Couch, Vice-Chair
Councilmember Gladys C. Baisa, Member
Councilmember Robert Carroll, Member
Councilmember Stacy Crivello, Member
Councilmember Riki Hokama, Member (In 9:09 a.m.)
Councilmember Mike White, Member

EXCUSED: Councilmember Elle Cochran, Member
Councilmember Don S. Guzman, Member

STAFF: Kimberley Willenbrink, Legislative Analyst
Sharon Brooks, Legislative Attorney (Out 9:50 a.m.)
Tammy M. Frias, Committee Secretary
Seated in the gallery
Shelly K. Espeleta, Legislative Analyst
Ella Alcon, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)

ADMIN.: Edward S. Kushi, Jr., First Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Mayor Alan M. Arakawa
Additional attendees (1)

PRESS: Gina Mangieri, *KHON2 News*
Akaku--Maui County Community Television, Inc.

CHAIR VICTORINO: . . .*(gavel)*. . . Good morning. The Policy and Intergovernmental Affairs Committee will come to order. At this time I'd like to ask everyone to please silence their cell phones or turn it off, whichever is more convenient for you. At this time I'd like to introduce the Committee. First of all, I am the Chair Michael Victorino. Our Vice-Chair from South Maui, Mr. Don Couch.

VICE-CHAIR COUCH: Good morning, Mr. Chair.

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CHAIR VICTORINO: Good morning, and from East Maui, Mr. Robert Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR VICTORINO: Good morning. And our lovely lady from Upcountry, Ms. Gladys Baisa.

COUNCILMEMBER BAISA: Good morning, Chair.

CHAIR VICTORINO: Good morning. Our lovely young lady from Molokai, Ms. Stacy Crivello.

COUNCILMEMBER CRIVELLO: Aloha, Chair.

CHAIR VICTORINO: Aloha. And our Chairman of the Council, Mr. Mike White.

COUNCILMEMBER WHITE: Aloha, Chair.

CHAIR VICTORINO: Yeah. Excused at this time is Don Guzman, the Vice-Chair and Riki Hokama. They may be joining us a little bit later, and Elle Cochran is excused for the day. From the Administration we have Mr. Ed Kushi. Good morning, Ed.

MR. KUSHI: Good morning.

CHAIR VICTORINO: And from our invaluable Staff of course is Ms. Kim Willenbrink our Legislative Analyst.

MS. WILLENBRINK: Good morning, Chair.

CHAIR VICTORINO: And Tammy Frias our Committee Secretary.

MS. FRIAS: Good morning.

CHAIR VICTORINO: Good morning. Also with us is...oh we'll check our--what do you call that?--our District Offices. Sorry, you know, too much vacation gets to you, my mind's still somewhere else but I'm here this morning physically. So give me a break and I'll make sure I get it together before the end of the morning. From our District Offices, let's start with our Hana Office. Dawn Lono, are you there?

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana Office.

CHAIR VICTORINO: And just before we go on, we've having some technical difficulties with our regular phone so we've been forced to use cell phones and so if it's not coming out real clear and loud please excuse us, we're trying our best. Let's go on to our District Office in Lanai. Denise Fernandez, Denise, are you there?

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez at the Lanai Office.

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CHAIR VICTORINO: Good morning. And also Ella Alcon from our Molokai Office. Ella, are you there?

MS. ALCON: Good morning, Chair. This is Ella Alcon on Molokai.

CHAIR VICTORINO: Thank you. Before we start I would like to open the floor for testimony. We only have one item today and it's County Communication 15-254, from Council Chair Mike White, relating to the State of Hawaii's Transient Accommodation Tax and our testimony will be accordingly. County Communication 16-2, from Council Chair Mike White, transmitting a proposed resolution, Urging the Legislature to Provide the Counties with the Same Share of Transient Accommodation Tax Revenue as the State. The purpose of the resolution is to urge the State to enact legislation providing the counties with their same share of transient accommodations tax revenue as the State. I would like to begin with taking public testimony at this time. Testimony will be limited to this item and this item only. If you want to sign up either in the District Offices, please do so and let us know. We'll be checking with you shortly, and anyone in the gallery who wants to sign up, please sign up on the, at the desk on the 8th floor outside in the lobby. Testimony will be limited to just three minutes, two and a half minutes the yellow light will go on and three minutes the red light will start blinking. I will then ask you to conclude. Please state your name and whomever you will be representing. Established connection with our District Offices as you saw earlier. We have one testifier in the gallery. We're very honored this morning to have our Mayor, Mayor Alan Arakawa. Mayor, would come forward and thank you for being here.

. . .BEGIN PUBLIC TESTIMONY. . .

MAYOR ARAKAWA: Good morning, Chair Victorino, Councilmembers. I'm going to urge all of you not to pass this resolution. When, Statewide, when we're having our meeting of the State Conference of Mayors and when you look at the City and County of Honolulu Council, Kauai Council, Big Island Council, we are all in agreement and we're all at the State Legislature working with the document that was created by the State functioning group that was commissioned by the State Legislature. To break away and create something different is going to create a lot of controversy at the State Legislature and already is. Now this working group worked for two years and it has very, very good membership to it. And I know all of you have this documentation. I'm not going through all the different names. But Simeon Acoba, Judge Simeon Acoba was the chair of this committee. They worked two years to come to compromises, not the absolute best for every single group, but for compromises to be able to work with something that we could present to the State Legislature in document. What this is, is everyone getting together and working together. If we break that and we don't present a solid front before the State Legislature we're opening up a whole can of worms for us, and already the State legislators, the Senators, when we were talking to the money committee are talking about instead of the percentage that we're getting now, bringing it down to 19 percent, using an 81-19 formula. The discussion is around a lot of different things because the total budget that the State provides for the counties is 81 percent and we provide about 19 percent as the study shows. If we get into this realm

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of nitpicking on technicalities even though the statistics for a specific county may show a better or worse condition and not be unified, we're going to have real challenges at the State Legislature this year. Now that being said, when we look at the overall goal of what our County is, it's to be able to get most of the projects funded that we need in the County and many of them are State funded. Bridges, roads, our hospital, even though we're transitioning, we're still doing a lot, and the State Legislature still has to pay for a lot of it. So when you take the total of all the different programs that the State is providing for us and you look at the overall statistics, about 81 percent and I think Maui County gets more than its share judging from all the roads that are being fixed, the harbors that are being fixed and a lot of the other things that are going on, property acquisitions, et cetera. If you upset the apple cart over a small percentage of our income which is the TAT versus the overall budget that the State provides for us, they can just not do the school in Kihei, the high school or not do a road and make it all up.

CHAIR VICTORINO: Mr. Mayor?

MAYOR ARAKAWA: Yeah.

CHAIR VICTORINO: I will ask you to conclude, please, if I may?

MAYOR ARAKAWA: Okay. I have 13 or so seconds.

CHAIR VICTORINO: Okay.

MAYOR ARAKAWA: But in any case what I'm, what I'd like to do is just say please do not pass this. Let's go unified at the State Legislature. Let's work the compromise and let's work as a team at the State Legislature. Thank you.

CHAIR VICTORINO: Wait. If you would wait, Mr. Mayor. Let's see if there's any questions. Any questions for the Mayor himself? Miss...I'll start with Ms. Baisa.

COUNCILMEMBER BAISA: Thank you very much, Mr. Chair, and thank you, Mr. Mayor, for being here this morning. I know it's nobody's, surprise to nobody that I am really, I heard something you said that really strikes a note with me and that is going to the Legislature united. Because the Legislature is going to be confused when they get one message, in my opinion, one message from the mayors and another message from HSAC which essentially represents the councils. So I want to confirm what I heard. Did I hear you say that the mayors are not, would not be in support of this because they're in support of something else?

MAYOR ARAKAWA: We would not be in support of this. We have an agreement to support the State working functioning group, their results and to back them unilaterally. Again we've had a lot of discussion among ourselves. Each county could do better or worse depending on the county. But as a compromise we are all working together in this and that's the front that we're going to take position we're all taking, that we support the working group.

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COUNCILMEMBER BAISA: Okay. No, that is of concern to me 'cause, you know, as a legislator ourselves when we get opposing viewpoints from people that we think we better pay attention to it makes it very difficult for us to decide.

MAYOR ARAKAWA: And that's exactly what's happening at the State Legislature right now. We have City and County of Honolulu Council, Kauai Council, the Big Island Council, all the mayors, the visitor's industry. We're all working together on the same push. The only group that's not, is Maui County Council is putting up a different number and that's creating the confusion at the State Legislature that they can take advantage of to say well maybe we shouldn't be working with this working group. Let's look at some different numbers, and our fear is that they'll go to the 19 percent rather than go where we are right now with the working group which gives us a plus.

COUNCILMEMBER BAISA: Okay. Thank you very much. I have another question but later on I'll ask it of Chair White. Thank you.

CHAIR VICTORINO: And, Ms. Baisa, I want to make one correction. HSAC is along with the mayors, HSAC is backing the proposal of the working group. HSAC now, we, this Council has taken a different direction or at least some of the Members have started on a different direction. So I want that corrected. Okay.

COUNCILMEMBER BAISA: So the only body that is not in support of that recommendation that came out of the working group is the Maui County Council?

CHAIR VICTORINO: At this point yes.

COUNCILMEMBER BAISA: Okay. I just want to be very clear 'cause I think that's important.

CHAIR VICTORINO: Okay.

COUNCILMEMBER BAISA: Thank you.

CHAIR VICTORINO: I just wanted that clarification.

COUNCILMEMBER BAISA: Okay. No thank you because I was confused. I thought that HSAC had supported this proposal.

CHAIR VICTORINO: No, no, and not at this time anyhow. We had not taken any action on this proposal.

COUNCILMEMBER BAISA: Okay. Thank you.

CHAIR VICTORINO: Mr. Couch, you had a question? Oh I'm sorry, I thought you raised your hand. Any other questions from any? And before I go on let me recognize the Member from Lanai, Mr. Hokama.

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COUNCILMEMBER HOKAMA: Chairman.

CHAIR VICTORINO: Good morning, sir. Any other questions for the Mayor? Seeing none, thank you, Mr. Mayor, for being here.

MAYOR ARAKAWA: Thank you very much and thank you for the correction. You're absolutely correct, HSAC has supported it. It's just members from the Council are talking different story at the State Legislature, that's causing the problem. Thank you.

CHAIR VICTORINO: Thank you, Mr. Mayor. At this time I don't see anyone else wishing to testify in the gallery and I don't have any other notices. So can we can we check with our District Offices. Ms. Willenbrink, will you check with the District Offices for me?

MS. WILLENBRINK: Hana Office, is there anyone wishing to testify?

MS. LONO: The Hana Office has no one waiting to testify.

MS. WILLENBRINK: Thank you, Dawn. Molokai Office, is there anyone wishing to testify?

MS. ALCON: There's no one here on Molokai waiting to testify.

MS. WILLENBRINK: Thank you, Ella, and, Denise on Lanai, is there wishing to testify?

MS. FERNANDEZ: There is no one waiting to testify at the Lanai Office.

MS. WILLENBRINK: Thank you, ladies.

CHAIR VICTORINO: And seeing no one rushing to the podium at this point, I will recommend closing of public testimony for this morning's agenda item.

COUNCILMEMBERS: No objections.

CHAIR VICTORINO: Thank you very, very much.

. . .END OF PUBLIC TESTIMONY. . .

ITEM PIA-57: STATE OF HAWAII'S TRANSIENT ACCOMMODATIONS TAX (CC 15-254, CC 16-2)

CHAIR VICTORINO: So at this time I would like to allow Mr. White to spend, who spent many countless hours putting this presentation together about the TAT revenues and the fairness to the counties related to their fair share of the TAT. He has presented, he's again, as I mentioned, he's set a presentation for us this morning and so, Mr. White, I would like to turn the floor over to you. And if, Members, you would turn

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your attention to the television screen, we will have a presentation to present.
Mr. Chair?

Note: Computer-generated presentation.

COUNCILMEMBER WHITE: Thank you, Chair. And I think it's important to clarify that the, the position that this resolution takes is supporting a change in the distribution, an increase of distribution of TAT to the counties. But to say that there are, there's only one idea at the Legislature, that that's all going to go in the direction of taking care of the working group's recommendation is really kind of silly, because there are as many different things coming up in this Legislature as there usually are. They're very different positions from the 19 percent, 81 split to increasing the TAT tax to 13 percent and giving the counties half and the State half. There's all kinds of versions going out there. So to have a difference of opinion between the mayors and other the councils I don't think is a bad thing because it shows that there are different perspectives. I think the working group did some great research. The challenge that I have with some of their numbers is that they're including special funds such as highways and sewer funds, airports, harbors, et cetera. If you just look at General Fund items, I think the counties spend more to support the visitors than the State does. There's also a concern that the, from the legislators that the working group didn't look at what they had intended for the working group to look at. Be that as it may, what has taken place since the Legislature has convened is that the mayors were put on the defensive in their presentations to the Legislature and so there's at least one other council that is considering supporting the same thing that we're, that I'm presenting today. So I'd just like to get through that before we start on the presentation, and this says HSAC because at a meeting in December, HSAC did support this position. So it ended up going with the mayors and that's when I chose not to support that because I think it's important in some cases that we go down with a unified message but also an additional opinion. So the way this needs to be looked at is that there is unity at this funding level but I'm coming in and suggesting that a higher number would be fair and is justifiable for the counties. So with that, the issue here for me is that the, in...oops...what do I do? Oh, there we go. This is like my mouse at home, it does things by itself. The issue I think that we need to look at is that for the first number of years the counties got the lion's share of the TAT revenue. In 2009 when the economy turned downwards, the State lost 9.8 percent of its revenues and the TAT was increased by the two points over a two-year period to help them balance their budget. In the, in 2010 the State revenues began to increase again but remain below 2008 levels, and in 2011 and 2012 TAT distributions to the counties was capped at \$93 million, and by this time County property values were in significant decline and property tax revenues were eroding. To put it into perspective, the 9 percent drop in...or 9.8 percent drop in State revenues was followed in ensuing years by the property values on Maui falling by about 20 percent, 25 percent and that's of course, that's our economic base. Unfortunately I'm not getting this to...

CHAIR VICTORINO: Mr. Tech, Mr. Couch, can you please help him?

VICE-CHAIR COUCH: I don't know.

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CHAIR VICTORINO: Oh you don't know. Oh I thought you...Kim, can you...somebody please?

COUNCILMEMBER BAISA: Must have Staff..

COUNCILMEMBER WHITE: I must have turned it off or something.

CHAIR VICTORINO: We'll take a short recess while we take care of this technical problem.
...*(gavel)*...

RECESS: 9:23 a.m.

RECONVENE: 9:25 a.m.

CHAIR VICTORINO: ...*(gavel)*... The meeting of the Policy and Intergovernmental Affairs Committee will reconvene. Mr. White, go ahead.

COUNCILMEMBER WHITE: Thank you, Chair.

CHAIR VICTORINO: Sorry about that technical problems.

COUNCILMEMBER WHITE: No, I think I might have caused that myself, I'm not sure.

CHAIR VICTORINO: Okay no problem, Mr. Chair.

Note: Computer-generated presentation (continued).

COUNCILMEMBER WHITE: But again the County tax base which is our property values had taken a significant downturn in the years following the economic downturn. Where is the State today, revenues have rebounded by 34.4 percent or nearly \$1.8 billion over 2010 and that's provided them accumulative increase in revenues from 2010 to 2015 of \$6.8 billion. Where the counties today, we're up 8.8 percent or 122 million and property values remain \$4.5 billion lower than in 2010 and the majority of that is in the neighbor islands. However, we have lost significant ground from a revenue standpoint. So even with the \$122 million gain the cumulative revenue over that same 5-year period that the State generated \$6.8 billion more the counties collected \$31.5 million. City and County of Honolulu property values have rebounded. So in 2015 City and County of Honolulu is up 5 percent. Maui County remains 19.4 percent down. Hawaii County 8.1 percent down and Kauai County 7.6 percent down, and what has happened with TAT, the 2 percent increase and the caps had the effect of increasing the State's take from \$8.3 million in 2007 to nearly 205 million in 2015, and the net result of the caps is that the counties are losing approximately \$85 million annually. And to put that in perspective, in 1997 when the total TAT collection was 126 million, 101.3 million came to the counties and 6.3 to the State. By 2007 the TAT collections had grown to 224 million and the counties received 101.8, and by 2015 with the 2 percent increase collections had increased to 421 million with

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the counties getting 103 and now the State getting 205 million. And to look at where the State is now, the projected revenues, projected General Fund revenues for Fiscal Year 2017 in the Governor's budget are projecting \$7.1 billion in General Fund revenues. That is, that represents increases over the prior years of 547 million over Fiscal Year '16 which is the year we're in now. It's an increase of 825 million over Fiscal Year 2015 or a 13 percent increase and a \$1.15 billion increase over Fiscal Year 2014 or about a 19 percent increase. So the State has rebounded quite nicely. So comparing the share increases since 2007 between the State and the County, the State has taken 196 million and given the counties an increase of 2.2 million or 2.2 percent. And while the counties have not received a fair share of the TAT, the costs related to public safety services have gone up significantly. For the 4 Police Departments, Fiscal Year 2015 reflects a \$93.3 million increase over 2007. The 4 Fire Departments represent a \$60 million increase, and the 4 Parks Departments reflect a \$16 million increase over 2007 for a total of \$170 million of added expense to the counties for just these three departments while receiving just a 2 percent increase or \$2 million more from the State. The counties got, well that's what I just said, who's covering that cost? You, because by the State not transferring the share of the visitors, the visitor generated tax to the counties, the State is requiring the counties to generate that money through residents of each county as opposed to using the TAT. And this is one of Kit's graphics to help make the point. And how do we compare with other jurisdictions? Out of 150 municipalities in Hawaii, I mean 150 municipalities across the nation, Hawaii ranks 149th in the level of receipt of taxes on lodging establishments. That includes sales tax, in our case excise tax, occupancy tax, special district taxes, and so forth. The State of Hawaii provides nearly the lowest percentage in lodging taxes. Honolulu receives 20.4 percent. The neighbor islands receive 17.1 percent. Compared to our peers nationally 35 municipalities receive 100 percent of taxes on lodging, 127 municipalities receive 50 percent or more and 148 out of 150 receive 25 percent or more. To put it into perspective, if you go to Disneyland and stay in a hotel there's no state tax. There's no state excise tax charge and there's no state lodging tax. You'll pay a 12 percent lodging tax but that's a tax levied by the city of Anaheim. So the entire tax, anywhere you go in California, the entire lodging tax goes to the county in which the lodging is located. So which is 150th? Well it's Providence, Rhode Island. So I went and looked up the distribution of taxes generated from lodging in the State of Rhode Island and they have a 1 percent tax that goes specifically to the town in which it's generated and then they have 5 percent tax on lodging which goes to the state, but the state turns around and provides of the total \$20.4 million that you can see at the bottom, they distribute 34 percent to regional tourism districts and that is, that's for marketing. It provides to the Providence Warwick Convention and Visitor Bureau 10 percent and the Rhode Island Convention Center Authority 1.6 percent. So they provide a larger share of the tax to marketing and servicing of the visitors and then the municipalities as you can see receive \$7.4 million and the State of Rhode Island receives out of the total taxes on lodging \$3.6 million which is less than half or actually the, it's a third of what the total is that goes to the state and county. So the state gets 33 percent of the share that goes between the two and the county gets 67 percent. So it's a significant difference between the recommendation for 45 for the counties and 55 for the State that the working group came up with, and after looking at the city of Warwick which is one of

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the cities that's on the list, there I noticed that they also get a state aid in the amount of \$42 million. Well, the TAT is the only State aid that we get coming back to the counties. So \$42 million is about 19, almost 20 percent of the total that they collect in real property tax. So on top of their real property tax from the state they get aid equal to about 20 percent of their property tax load. If that was applied to Maui, our equivalent would be about 49 to 50 million. The, how much do our peers get? In the 150 cities the average tax that goes to municipalities is 9.15 points out of the 13.48 on the right-hand side of the sheet on the top and the State gets 4.33. In Hawaii we get 2.26 percent and the State is keeping almost 11 percent, 11 points out of the 13. So current legislation, we're at 103 million. And you'll note that the figure on the right-hand side is \$603 million, that's a combination of the \$421 million in TAT revenue added to the \$182 million of GET that is generated just by lodging establishments. How much should the counties get? Well if you were to, if we were to ask for a 50 percent share of the total TAT revenue it would result in a \$210 million amount going to each county. That would increase us to 4.6 percent of the 13.25 which is still significantly lower than what the remaining peers get across the country. The State would end up with \$392 million. If you look at where we would be under the original, the pre-cap distribution to the counties was 44.8 percent of the TAT total. So that would have been the \$188 million figure that you see there on the left column and the amount that the working group is proposing...and these are all numbers that you see at the top, they are all based on Hawaii TAT collections of 2015 for, on both TAT and GET. So the working group proposal would put us at \$138 million based on 2015 numbers. So my position is that at a minimum the counties' share, the TAT should be 50 percent of total TAT collections, and the State continues to say that, you know, we, they can't give us back any TAT without them getting something in return. But if we were under the original calculation of the TAT which was 95 percent of the first 5 percent of TAT, the County's share would be \$216 million now. So as partners in Hawaii's governance it's our position that the State shouldn't feel like they are giving it away, but rather that they are returning it or giving it back to the counties now that, for which the, for which would support us providing essential services to our residents and visitors. And again, the main point is that by not sharing the visitor generated tax they're forcing us to push off the cost of visitor related services onto our resident taxpayers. So with that, Chair, I'm happy to take any questions or I don't know whether you want to have the resolution read in its entirety, but I think most of the information that is in the resolution, which by the way we provided a new version of the resolution this morning which incorporates the majority of the information that has been shared in the presentation.

CHAIR VICTORINO: Thank you, Chair White. And before I go on, just so that the public knows what the revised resolution states, I will call upon Ms. Willenbrink to read the...oh no, I think I'm supposed to call upon you, young lady. Will you do the reading of the entire resolution as been submitted, the revised resolution please.

MS. BROOKS: URGING THE LEGISLATURE TO PROVIDE THE COUNTIES WITH THE SAME SHARE OF TRANSIENT ACCOMMODATION TAX REVENUE...

COUNCILMEMBER BAISA: Your mic, Sharon.

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CHAIR VICTORINO: Yeah, get closer to the mic, Sharon.

COUNCILMEMBER BAISA: Cannot hear you.

MS. BROOKS: Alright.

CHAIR VICTORINO: In fact, Sharon, do me a favor, why don't you come over here, that mic is much better and that way it will be easier for everyone. Next to Mr. Kushi and you can use that mic, please.

MS. BROOKS: URGING THE LEGISLATURE TO PROVIDE THE COUNTIES WITH THE SAME SHARE OF TRANSIENT ACCOMMODATIONS TAX REVENUE AS THE STATE. WHEREAS, since 1987, the State of Hawaii has a tax upon room revenues derived from transient accommodations, known as the Transient Accommodations Tax, or TAT; and WHEREAS, pursuant to Act 185 (1990), the TAT rate was set at 5 percent with 95 percent of revenue returned to the counties under a statutorily established formula, and the State retaining 5 percent for administrative purposes; and WHEREAS, if the distribution to the counties were still based on the same calculation, the counties' share would amount to \$216 million at current revenue levels; and WHEREAS, the State subsequently diminished the counties' share of TAT revenue at various times for multiple purposes, such as revenue being redirected to the County...Hawaii Convention Center and the Tourism Special Fund, respectively; and WHEREAS, after allocations to the Hawaii Convention Center and the Tourism Special Fund, the counties' share of TAT revenues was adjusted to 44.8 percent of the total which would amount to \$188 million if calculated under current revenues; and WHEREAS, the Legislature dramatically reallocated TAT revenue beginning in 2009 to help balance the State budget due to the economic downturn; and WHEREAS, the State began the process of increasing the TAT, arbitrarily capping the counties' share to help balance its budget, but offered no assistance as the counties also experienced economic hardship in the ensuing years; and WHEREAS, Maui County's property values, which form the economic base for the County's tax revenue, dropped nearly 25 percent during the economic downturn; and WHEREAS, since 2007, the State's TAT revenue increased by \$196.6 million, or 2,363 percent, while the counties' TAT revenue increased by only \$2.2 million, or 2.2 percent; and WHEREAS, during the same period, the counties have incurred \$170 million in cost increases in fire, police, and park services; and WHEREAS, a *Civil Beat* article entitled "Should Counties Get Bigger Share Of Hotel Tax Revenue?" reported the following on December 30, 2015: The state has hauled in record amounts of TAT revenue over the past few years by limiting the counties' allocation. Without the cap, the counties would have seen millions of additional dollars as the tourism industry has grown; and WHEREAS, the TAT revenue for Fiscal Year 2016 is expected to be about \$250 [sic] million; and WHEREAS, the counties use TAT revenue to cover a...

CHAIR VICTORINO: Miss...450 million, you said 2.

MS. BROOKS: Oh, I'm sorry.

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CHAIR VICTORINO: Just wanted it corrected.

MS. BROOKS: Sorry, Chair.

CHAIR VICTORINO: No problem.

MS. BROOKS: WHEREAS, TAT revenue for Fiscal Year 2016 is expected to be about \$450 million; and WHEREAS counties use TAT revenue to cover a portion of their visitor-related expenditures, as they bear significant responsibility for providing an array of services and infrastructure necessary to support a vibrant visitor industry; and WHEREAS, the vast inequity in TAT-revenue distribution between the State and the counties has resulted in the costs of tourist-related expenses being unfairly passed onto county residents; and WHEREAS, according to the "2015 HVS Lodging Tax Report-USA," which surveyed 150 cities, counties, and special districts, 35 municipalities receive 100 percent from revenues from taxes on lodging, 127 receive 50 percent or more, and 148 receive at least 25 percent; and WHEREAS, the four Hawaii counties which [sic] would rank 150th percent...of...in percent of revenue from taxes on lodging, if included in the report; and WHEREAS, the State-County Functions Working Group, created by Act 174 (2014) to study TAT-revenue distribution, issued its Final Report in December 2015; and WHEREAS, the Working Group's Final Report recommended: (1) about \$113 million of TAT revenue be allocated to four State special purposes (the Hawaii Convention Center, the Tourism Special Fund, the Turtle Bay conservation easement, and the Special Land Development Fund); and (2) of the remaining TAT revenue, 55 percent be allocated to the State and 45 percent shared by the counties, without the imposition of an arbitrary cap; and WHEREAS, history and data support a more appropriate and equitable distribution, with the State and the counties each getting equal allocations of TAT revenue; and WHEREAS, within...when the General Excise Tax is also taken into account, the State currently provides a mere 17 percent of overall lodging-related revenue to the counties; and WHEREAS, the State has adequate resources to make the adjustment because General Fund revenues for Fiscal Year 2017 are projected to be more than \$7.1 billion; and WHEREAS, revenues have increased year over year, amounting to \$547 million over Fiscal Year 2016, or 8.3 percent; \$825 million over FY 2015, or 13.1 percent; and \$1.1 billion over FY 2014, or 19.2 percent; now therefore, BE IT RESOLVED by the County...by the Council of the County of Maui: No. 1. That it recommends State-County Functions Working Group for its research...that it commends the State-County Functions Working Group for its research and deliberations; 2. That it supports a portion of the Working Group's findings, including the elimination of arbitrary cap on the distribution of Transient Accommodations Tax revenue to the counties; 3. That it does not support the recommended distribution in the Working Group's Final Report. 4. That it urges the State Legislature to enact legislation providing the counties with a 50 percent of total TAT revenue, with the State retaining responsibility to fund the Hawaii Convention Center, the Tourism Special Fund, the Turtle Bay conservation easement, and the Special Land Development Fund out of the State's share of TAT revenue; 5. That an equal split of TAT revenue between the State and the counties would be more consistent with the TAT's history and purpose, promote more fairness for county

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taxpayers, and promote a viable, sustainable visitor industry; and 6. That certified copies of this resolution be transmitted to the Honorable David Ige, Governor, State of Hawaii; the Honorable Shan S. Tsutsui, Lieutenant Governor, State of Hawaii; the Honorable Ronald D. Kouchi, President, Hawaii State Senate; the Honorable Joseph M. Souki, Speaker, Hawaii State House of Representatives; Members of the Hawaii State Senate; Members of the Hawaii State House of Representatives; the Hawaii Council of Mayors; and Members of the Hawaii State Association of Counties.

CHAIR VICTORINO: Thank you very much, Sharon. That was a lot, I thank you very much for that. So at this time I will open the floor for discussion and questions for Mr. White, but before I do that let me say that I concur with Mr. White and there were many at a couple of the HSAC meetings that agreed with us. But at the last moment after I assume what they had said to us that when they met with their mayors and HCOM, that they went along with their proposal as far as the working group and that's when the change came. We were set to go on a similar proposal; however, HSAC decided to go on this direction and if you understand how HSAC works and Mr. Hokama is keenly aware, if one county does not agree, then the whole proposal dies. For the sake of keeping continuity and being able to work it through the Legislature I voted yes even though I had reservations on it. So you all know that I did say yes to the working group's proposal only because it was needed to move it on. These are now our proposals which I concur with and I believe another county is looking very diligently as brining this forward also. But at this time this is a proposal being brought forth by Maui County. And so that, just so that we're all clear on how this is all working out. I don't want misconceptions that we're turning around and changing our mind. We never did; however, the way our system is set up if one no vote, everything dies at that point. So for continuity purposes and giving a chance so that the working group's proposal would be brought forward I said yes to the whole proposal at that point in time and that was back in December and Mr. White was very keenly aware, Mr. Hokama, and anyone else, any of you knew that I talked to, knew where my position was, however, for continuity and for the ability to bring it forward. We had to take that direction. So I will start...yes, Mr. White?

COUNCILMEMBER WHITE: Yeah. If I could just add to that. The, we're in, you know, the counties and the mayors are really going in unity as far as supporting an increase in the TAT.

CHAIR VICTORINO: That's correct.

COUNCILMEMBER WHITE: And we've had a lot of discussions about it and from the county councils there is a, there's a fire in their belly that going down as a united front hasn't always worked.

CHAIR VICTORINO: That's correct.

COUNCILMEMBER WHITE: And especially when there are so many different various proposals that are floating around in the capital, it's important to maybe think about a higher number depending on where you want to end up.

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CHAIR VICTORINO: No and, Mr. White, I totally agree and just so that the public and the members are clear at how this process has evolved to this point. I just want that clarification, you know, it's something difficult at times and Mr. White knows I've sat there at times wanting to not be supportive of something but knowing that once I say no to that proposal it all dies and then we have to either rehash it or wait till next year and sometimes important to move things along. And so with that being said we are going to focus on this resolution today. So if you have from...Mr. Carroll, I'll start from you and let's work right down. If you have any specific comments and/or questions for Mr. White?

COUNCILMEMBER CARROLL: We do want to present a united front and we always have with the different councils. What is troubling is that the united front has always been so unsuccessful. Sorry, but it's true. I personally have written bills and taken 'em up to the State Legislature, not even running it through the committee over here or anything else, drafting it from my office and gotten it passed. It might be better sometimes. It seems that State Legislature looks at what the councils all send up and a united front and don't even pay attention to it and that is my concern. I know it's rough talk. I know we want to be together. I know we want to present the united front. But it's been notoriously unsuccessful. So I would support what is on the floor. Thank you.

CHAIR VICTORINO: Ms. Baisa?

COUNCILMEMBER BAISA: I guess I'm still confused. Earlier when I mentioned HSAC being in support of the groups, the working group's proposal you corrected it and so now I'm really confused.

CHAIR VICTORINO: No, what do you mean? You had said if I recall...

COUNCILMEMBER BAISA: I mentioned that HSAC was in support of the working group.

CHAIR VICTORINO: That is correct.

COUNCILMEMBER BAISA: Along with the mayors and along with everybody else.

CHAIR VICTORINO: That's correct.

COUNCILMEMBER BAISA: And then you corrected me and said no HSAC wasn't. So now, you said they changed their mind and that you gotta, you know, you had to do what you had to do even though you like this.

CHAIR VICTORINO: Yes.

COUNCILMEMBER BAISA: So is it still incorrect to say that HSAC is in charge, is in support of the working group's?

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CHAIR VICTORINO: Yes.

COUNCILMEMBER BAISA: Okay. So that I just want to be sure. 'Cause, you know, I am your alternate and I'm really afraid that I get put in this position and I'm not sure what the hell's going on. Because I'm not privy to all these conversations that are going on.

CHAIR VICTORINO: Well, let me say it this way. When I heard you say to the Mayor that HSAC wasn't in support --

COUNCILMEMBER BAISA: No, I said was.

CHAIR VICTORINO: I heard wasn't, so that's why I made the correction. I apologize. Go ahead.

COUNCILMEMBER BAISA: Because what I'm trying to make clear here is that the body that is questioning the working group's thing is us, the Maui County Council.

CHAIR VICTORINO: That is correct.

COUNCILMEMBER BAISA: Okay. So just let's be very straight.

CHAIR VICTORINO: Yes.

COUNCILMEMBER BAISA: Okay. I hear people saying that the getting together is not effective. I want to say that three years ago when I became the Chair of the Council and I went to HSAC it was well recognized and mentioned that it had not been happening and it was not successful, and they were very excited about us getting together. I think most of us know that. Okay. So we don't have a whole lot of experience in going together and sticking a position. I take issue with that. I did it with the community action agencies and we were very, very successful. I see our former Chair, who is here our Budget Chair, Riki, who heads NACo and he can tell you that that is a very successful thing because they represent all the counties. You know, the more options you give legislators to play one group against the other the harder it is and the easier for them to have an excuse and say well, your counties couldn't get it together so, you know, what do you expect us to do? So I, you know, I still have that niggling thing about going there with too many choices because they can use them against us. Whereas, if we're one, we're one. But anyway what I'm hearing, and I'm talking to legislators and I have my relationships with them that I've had for many, many years, and what I'm hearing is if you guys want the TAT, what are you going to do about the GET? And this group has not met on that. So I just want us to keep that in mind that that may be used against us. Thank you, Chair.

CHAIR VICTORINO: Thank you, Ms. Baisa. Mr. Couch?

VICE-CHAIR COUCH: Thank you, Mr. Chair, and when you look at these numbers...and I wanna thank Chair White for bringing these numbers up and to our attention. Yeah.

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You get outraged, because the whole idea is to charge the visitors for the use of our services that we have in the County and while 50 percent I think is a good compromise because it used to be 95 percent, I understand where all of this is coming from. The issue is when you talk to the legislators over there they do bring up the GET and they also say well, you know, if you guys don't, if you don't like that why, you know, just raise your taxes, or if you need the money raise your taxes and they say well, but you haven't been raising your taxes which is a miss, is misinformation. They know that we have raised our revenues in taxes but they're saying well because you decreased your rates that means you don't need the money, so we don't need to give it to you. I don't know how to combat that, you know, there's nine of us here, we go and talk to the folks but that's nine of us against the rest of the State essentially. We have six Reps and three Senators and they can push all they want. They've got to get a majority behind them and I don't know how to do that. I certainly would be willing to, you know, put us all in there and talk to as many as we can and say hey, let's look at this and let's be a little bit more fare. But I think it's going to have to be in the court of public opinion. These numbers have to get out and, you know, when we start working with numbers and spreadsheets and whatnot it's always really dry and people don't, they kind of, their eyes gloss over. So we have to figure out a way to get this out to especially the people on Oahu to put pressure on their State legislators to say hey look, City and County's losing out as well. So I'm, I like the idea, I'm not sure how effective it's going to be, but it's better than not sitting around and doing nothing but we have to discuss everything and they keep, every time I talk to somebody over there they keep saying well, what are guys doing on the GET, what are you guys doing on the GET? So, you know, they look at us, they like to pick and choose as to what we're working on and what we're not working on and I think it's just egregious that they're reaping that much benefit from our visitors here on Maui and not get, giving back so we can keep the roads up and the parks up especially, so it's a tossup. I like the idea but how effective is it going to be, I don't know. Thank you, Chair.

CHAIR VICTORINO: Thank you. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you, Chair. You know listening to Mr. Couch I also hear the same remarks or considerations from our representatives in the State Legislature, and I come back with are you guys gonna increase the GET taxes on our residents and, you know, our taxpaying people or is that kuleana going to be ours. And it ends up that it's, we're the one that will have to make that decision to tax our people more, and correct me if I'm wrong, but it's my understanding that that increase is allocated for transportation. So I begin to look at the figures where it comes to our TAT revenue or TAT revenues and it's more fair game. I think our County is noted to be diverse in its distribution and that's dependent on a lot I believe with our TAT revenues, and sometimes you say this County is overly generous to providing the kind of services that is basically outsourced to help make this a healthier community. But it, I believe it depends on the TAT revenues as opposed to State distribution sometimes leaves us in the backroom and disallows the equal opportunity for us to take care of the needs of our visitors and not having to penalize all of our taxpaying community. And when you look at the struggling economics that's slowly coming down on us, you know, whether it's the closure of HC&S and in rural communities that sometimes have

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a bigger impact in getting these extra charges under your GET, it makes a difference for our constituents. And, you know, but we are the one have to lay it on them as opposed to getting our fair payout from the work that we do to encourage the visitors to continue to come to Maui County. So I would have to say that I think this resolution is a good kickoff and at least on our behalf and, yes, we want to be, I think we're united in the sense by looking at we want our fair share. We also like Mr. White mentioned on the fact, on the arbitrary cap, I think we come in fair basis, but I think the public needs to know if we accept the GET, all of us will be, will have to pay that percentage, all of us, whereby TAT is the visitors contributing to their fair share so that we can provide public safety, police, and parks services. That the demands go, continue to increase because of the arbitration and the bargaining that comes more so from the State. So I appreciate the efforts that are coming through for us to support this resolution and that's just kind of my opinion, Chair, and thank you.

CHAIR VICTORINO: Thank you. Mr. Hokama?

COUNCILMEMBER HOKAMA: Chairman. Thank you. I am very happy to hear the various comments of my colleagues because it just shows me for once that we have different perspectives and I think everyone has some valid points that each member made. So I appreciate that because there are many ways to look at this revenue or taxation issue. So let me just give you my few perspectives on this, Chairman. You know, I hear the debate between should we go unified or on this specific issue should we maybe do it Maui's way and maybe do the Lone Ranger approach, and I think it has merit on which, both sides. And, you know, interesting that picture that Chair White brought up to show the impact of the TAT I was thinking, boy that's a great likeness of Mayor Caldwell, that picture you showed. But for me, Mr. Chairman, again what I think this Committee needs to help make a decision on is, is the issue important enough for us to make it stand out as it regards to Maui County's taxpayers or should just, or should we just roll over because there seems to be consensus of doing it one way? Well for me the task force did some very good work, but then again, I look at the makeup of the task force and, yes, Judge Acoba is a person of renowned integrity, but let's be honest . . . *(inaudible)* . . . judiciary which is dependent on a State Legislature's appropriation to function. So I'm sure the Justice had to take into account certain realities of political and fiscal delegation from the State level and I'm sure he was aware of that. Regarding this though I, you know, for me, Members, I don't need to look at the GET because I can say to anybody in this State, to our sister counties and the State that this County has exercised fiscal discipline for decades and that's why look at the seven of us here this morning. Every Member can take pride that this County was one of the only counties in the State that could respond to 9/11 because we had cash. Because people like me are too tight to spend money as some would say. But, yes, Ms. Baisa, we had money to respond. We're able to do programs and services for those that had issues with monthly prescription medications that they were required. We responded because we had the money to respond from our fiscal discipline, Chair. Now I'm being told, you know, since the other counties weren't like you. You may have to take it in the shorts because you won't look at GET and all that. We don't have to because we've been prudent. We've been disciplined on our approach with the existing vehicles of revenue the Constitution and the State statutes

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give us. So now we're going to be penalized? Well my thing to the State is do your damn job. If you feel excise tax needs to be increased which many people are discussing and some have merits, then why don't they do it? Why don't they consider the GET increase, give the people of Hawaii what they want, which is exemptions on food on tax...drugs. Make that a Statewide policy because I can tell you I've talked to many seniors, you have, many seniors are open to that option of raising the GET but keeping an exemption for food and drug for residents. Why isn't the Legislature looking at these things instead of saying it's the counties that need to do our job and raise GET? I don't need to do their job. If that's the case, let's push for a ConCon 2018 and have it in the Constitution. Our roles and who has what revenue generations. I can go with that, 'cause the people make the decision. Not 76 legislators and not 36 county council people, the electorate of this State. For me, you know, Chairman, why I believe we should get, I support this resolution is some of the things that concerns me within our own County. When Mayor Hannibal Tavares took over that was the first time this County had to look at a \$100-million budget under Mayor Hannibal Tavares. Now we have a budget that seems to be going 6 to 8 times faster than the population. We're looking at \$700 million and look where we are in population. So for us, for me, Chair, Chairman, the nine of us has a daunting and major responsibility to make sure our base can afford the continued growth, and I'm not happy with the projections of State and Federals on what they expect us from population to grow to meet their financial numbers. I think we got it backwards. We need to be able to see what we can afford and then give growth, you know, so for me Chairman my thing on this is give the counties what is fair to us because in return the counties can help develop greater and more domestic economic development activities. And who is the biggest beneficiary of that? Not the County, the State through excise tax increase collections. That's the winner, the State of Hawaii, you know. So for me, Chairman, I don't have a problem fighting for our tax base on this issue and doing it alone if we have to. But I have faith in our fellow colleagues on the other counties well once they see the new numbers and I agree with my colleague, we need to educate and share this information accurately and fairly across as many venues as possible. Because I believe if the residents find out what is truly happening, it's not going to be hard for the Legislature to make a call because the people will speak out, and again, you know, maybe Mr. White said it, you know, one way but I'll say, it's not fair for us in turn to go back to our tax base and ask them to further subsidize the visitor industry when the visitor we can say is already paying a fair share that the State does not transfer back to the counties. So two groups are getting screwed on this one. The visitor who is paying their current taxes and the County tax base who has to now make up the difference and subsidize them one more time. That is unfair, Mr. Chairman, and so for me, I'm happy to push this along. I'm happy to walk the aisles because, yeah, those people would like to get some indication, but I think part of their current leanings from their leadership is because of what they understand the numbers to be and what they understand the history to be and not necessarily it's the same story as we know it to be and that is one of the issues again, Mr. Chairman, as you're well aware. So thank you for letting me pontificate my comments on this, but I feel very strong about this County's position and why today we are still in a position to respond because of our consistent fiscal discipline we try to maintain throughout our years of budget. Thank you.

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CHAIR VICTORINO: Thank you. Mr. White, would you like to add anything else?

COUNCILMEMBER WHITE: Yeah. Let me just correct one point that Mr. Couch made that we got 95 percent of the tax. It's correct to say that we got 95 percent when the tax was...

CHAIR VICTORINO: Initiated.

COUNCILMEMBER WHITE: Was a total of 5 percent.

CHAIR VICTORINO: Oh okay.

COUNCILMEMBER WHITE: But it wouldn't be appropriate to say that we got 95, we should get 95 percent of what we, you know, what we have in revenue today. But, you know, the other thing that I think is really driving this discussion for me is that it's clear to me that the State wants to continue to take all the revenues from, the revenue increases for the TAT and that's clear in a number of ways. As I shared in the presentation in 1997, we got \$100.5 million, well we now get a 103. So over the last 18 years the State has taken nearly all the increases in TAT. In addition to that the proposed budget for this year shows that for the next ten years the plan is to continue to take all the increase in the TAT generated. That's not the working group's position but that is the Governor's budget position. So to say that this is, you know, that we're not up against a tough battle, we are. The State has been helping themselves to the TAT and I think partially because they're hesitant to increase the GET themselves. They've given away the GET half a percent to Oahu for the rail project. They've offered it to those of us in the neighbor islands as well. But let's be honest the imposition of the GET I believe is just simply going to allow them to continue to keep the TAT and I think that's the reason it's being offered, and as Mr. Hokama said much more eloquently than I can, the GET transfers the cost to our residents and the visitors are already paying a significant amount of the, of TAT. Maui County generates over \$125 million a year in TAT. We get back less than 25 million. So the purpose of this resolution is simply to push a little harder than the working group number is and I think it's important as well because this is the first time that we've had information from other municipalities as to how lodging taxes are shared and we are way, way, way behind our peers on the mainland and I realize that there are, you know, there are expenses that the State bears in Hawaii that are borne by counties across the nation. But I've been doing some additional research and I'm not prepared to share that at this point, but it will be really eye opening as to what some of those realities are and that we're maybe not so different as the State Legislature would like us to think we are. So I would urge everyone to support this resolution just to give us the option of presenting yet another opinion on where the TAT discussion should head. So thank you, Chair.

CHAIR VICTORINO: Thank you. It's very interesting to listen to the various perspectives in the room. Like Mr. Hokama mentioned, that it is good to have differences. I would like to start off, first of all, on the united front issue. Three years ago when there was

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the discussion of eliminating, first of all, the beach liability, we went united down to the Legislature and got an extension. So I disagree that it doesn't work. Because it was a united front they gave us an extension and now we're working again to either eliminate or get another extension until the Legislature sees that we should have the same as they do, as the State and County should be given the same liability option and coverage or immunity I should say that is not afforded to the counties at this point or would not be afforded to the counties if we were to . . . *(inaudible)* . . . I know it's a little different issue, but this talking about the united front. Three years ago they were talking about reducing our TAT percentage and united we went in and fought hard and we actually got more. Oh, I know some people say we got only a little bit more, 1.1 million, and each County got a little portion but we got more, not less but more. So united, whether you go on your own or not still makes a big difference. We have proposed bills on our own as a County and as individuals and been more successful than HSAC but because we probably made a better point of what we needed versus the State. And that's the other issue, HSAC being a Statewide organization every county and Mr. Hokama will attest, same thing like NACo, have variations, have differences, sometimes very broad and many times more closely aligned as far as their needs are concerned. So that makes it really difficult when you're walking in and those gentlemen and ladies down there in that little castle called the State Legislature are extremely, extremely well versed in divide and conquer.

COUNCILMEMBER BAISA: Oh yeah.

CHAIR VICTORINO: Divide and conquer, I've been there, done that.

COUNCILMEMBER BAISA: Oh yes.

CHAIR VICTORINO: They walk in with one issue and bam they hit you with something else. Am I incorrect, Mr. White? Being a former legislator. I mean I don't mean to put you on the spot but.

COUNCILMEMBER WHITE: Oh no, you're not putting me on the spot, I think it's...but at the same time there's a lot of division that we can take advantage of at the State Legislature as well because there are people that are not wanting to do anything. They want to keep all the TAT for themselves.

CHAIR VICTORINO: That's correct.

COUNCILMEMBER WHITE: So...

CHAIR VICTORINO: Yeah. So I'm just trying to make the point that I still believe unity in some of these big issues are so very important. That's, this is what I'm trying to bring across in some of the big issues, maybe not every issue but in this case I believe it is. Let me cover the GET. The reason for the half a percent is partly to allow the counties to have this opportunity to tax our people but it was also the Attorney General's opinion that if you offer it to Oahu which they are doing again for the continuation of the rail system, you must offer it to all the counties and I did verify that, Mr. White.

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The Attorney General did say you must offer it to all counties. So being, that being said that GET issue is being used against us. You are absolutely correct, Mr. White, because every time I've walked in and they'll, I'm talking about TAT, they'll say what are you going to do about the GET? Maui County's the only County not really talking about it, all the rest of the counties are talking about it and we're one of the few that not, absolutely silent on the issue and my answer to them has been I still don't feel we should tax our local people for services that better serve our visitors. The visitors should pay their fair share and that's my belief and I'm not changing in that respect but it is being used as a tool against us. So let's be realistic. Also the key here is they want to give that GET directly through transportation. Doesn't allow us to use it for anything else but transportation. For some counties that would be very beneficial and probably for us to a degree, but I don't think we should tax our people more money and not make the visitors pay their fair share. So I agree with all of you in that respect. And finally, like Mr. Hokama said, the State looks for methods of sending us unfunded mandates consistently through the years, been here, watched it all, and also the idea because Maui County has been so fiscally prudent and austere and we've done such a good job the State many times says oh, County of Maui, you guys do such a job you don't need any money, and that's not fair because we have needs here just as great as any other county. But we have, like Mr. Hokama has said, been very tight in how we _____ our budget in the nine years and we going on our tenth right, Ms. Baisa? You and I are going on our tenth budget. We have never and you can check the record, never approved a Mayor's budget without cutting, without reducing the Mayor's budget in the nine years. I don't know before that, Mr. Hokama, you probably could attest to that. Whether it's been every year or but I can tell you in the nine years we've been here, we have never, never approved the Mayor's budget as submitted. We've reduced it. And answering the question about rates, we reduced our rates because why? Because our property values has appreciated and when they appreciate we just don't feel like taxing our people more when they are really in essence they're paying more or the same as they were last year but because of the appreciation we can do the rate reduction. Okay. So what I'm going to do at this point, I'm going to take a quick break 'cause it's almost 10:30 and I want to let all of you know that some of this information may and will get Statewide attention because today in the audience we have Gina Mangieri and I put it on record, Gina, now you on record and I expect that to get Statewide attention. And so with that being said, I'm going to take a quick break. Let's say can everybody be back at...I'll give you till 10:40, I'll give you to 10:40, and this meeting will stand in recess till 10:40 a.m. ...*(gavel)*...

RECESS: 10:26 a.m.

RECONVENE: 10:38 a.m.

CHAIR VICTORINO: ...*(gavel)*... The Policy and Intergovernmental Committee Affairs...Affairs Committee will come to order. If there is no further discussion I'd like to --

COUNCILMEMBER BAISA: There is.

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CHAIR VICTORINO: --make my recommendation.

COUNCILMEMBER BAISA: There is.

CHAIR VICTORINO: Oh, wait...oh, okay, hold on. Now we get sorry, we're not... Okay. I'll hold on a second before I go any further. That's...you're good with the recording issue?

MS. FRIAS: Yes.

CHAIR VICTORINO: Ms. Baisa and then Mr. Hokama.

COUNCILMEMBER HOKAMA: Thank you.

COUNCILMEMBER BAISA: Okay. I was ready to speak and then we had to have a break. So that took precedence so I kind of you know, how it is what you were going to say kind of goes to the back of mind, but I have notes, thank God, or I'll forget. Okay. First of all, I want to say that I am very, very appreciative of the work that our Chair has done on this, it shows the hours, and hours, and hours that he has spent doing research and I really appreciate that. This is really good, solid information and it's, you know, almost irrefutable because it's all there and taken from record. So I wanna thank him, he works really, really hard at this kind of stuff and I agree that education is really important. I'm just sorry that we didn't do a better job of educating our colleagues and we might have a different position going in, but that's the way it is. HSAC is difficult because we're on different islands and only get together once a month and, you know, there's not a whole lot of time to spend because everybody's trying to do the jobs that they have to do before they go to HSAC and after they go to HSAC. So it's very difficult. But, you know, one of the things I hear and talking to legislators and I heard it a lot when I went down as Chair was in talking to them they kind of look at you and say well, you want us to be the bad guy. We don't want to be the bad guy, we want you to be the bad guy, and so you come to the State and you say okay you do it, you raise the taxes and so then we become the bad guy. So it's kind of who gets to be the bad guy thing. Who gets to raise the taxes and so that's a discussion all the time, which brings up the idea of the GET and them wanting or giving us the opportunity to raise GET so then we become the bad guys and not them. And last thing I'm going to say about that is I would like to see us have at least one meeting on it, not because I'm in favor of it, but I think that it would allow the residents of Maui County and the voters an opportunity to come and express their feelings about it and of course as the nine decision makers we'll decide or we may decide not to take a position, but I think that having the opportunity to listen to what our people think about whether it's a good or bad idea would put us in a much more advantageous position than not having any action at all. The other thing is, you know, we can go to the Legislature with all of this information and we can go where ever we want with it, the problem is what leverage do we have to make them do it? You know, you need some leverage and I don't think we have a whole lot of leverage over the State, and yes information is power and I think the more people see this the more

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people are going to realize that the State is taking a lot more than they should, but the question is how do we use this and what kind of leverage do we have to make them pay attention to our information? But, you know, I'm, as the morning goes on I've decided and it's been a struggle for me because I have this idea of I'd like to see us go all together and not present options because I think options are used against us, but I understand the power of information. So I am going to support this out of Committee with reservations and I also hope that we will at least have one meeting on the GET to allow our people to talk about it and be able to tell the State, yes, we did have a meeting and this is what our people thought, but this is where we are. So, Chair, I'd like to thank you very much, this is not an easy subject, whenever we get into money it's always difficult but it's been a very exciting morning. Thank you.

CHAIR VICTORINO: Thank you, Ms. Baisa. And again we have never strayed from controversy or issues --

COUNCILMEMBER BAISA: Nope.

CHAIR VICTORINO: --that need to be discussed, and I think one of the things I've been very proud in the nine years that we've been here is that we take up items that are very difficult but are important to this County and to our people. So, Mr. Hokama?

COUNCILMEMBER HOKAMA: Chairman, thank you. While most of the discussion this morning has been from a revenue perspective, I think it's only responsible for us to bring up as part of the full discussion the component of expenses because that is one of the arguments why we need reliable sufficient revenues is to care of our expenses. One that unfortunately, you know, the State has a lot more say than it should have in my perspective, especially collective bargaining, and part of their I would say hard headedness is because they've put themselves in a corner regarding their own needs to fund their portions of their contracts to meet their own obligations. And so, you know, for me, Mr. Chairman, as it was brought up at one of the HSAC meetings at City Hall where we had Mayor Carvalho speaking on behalf of HCOM, the need for better strategy as in regards to the expense side of the ledger, especially when we look at things like the SHOPO Budget, why is the State involved? Sheriffs and now DLNR enforcement is in Unit 14, not in SHOPO. So why would the State have any say regarding counties' SHOPO contracts? I think that it's come to a time where the counties need to stand, and this is one I would agree with Ms. Baisa standing unified because we do Statewide contracts and the ability of Statewide employees of various jurisdictions to transfer and maintain seniority and certain benefits they have already earned from one jurisdiction to another. So for me, the counties' administrations need to step it up and either have the appropriate discussions with each council regarding the expense side of the ledger and what we expect out of our negotiators to represent the counties' best interest as if regards to finances from the expenses point of view. We always seem to, you know, only talk about the revenue side, but, you know, the nine of us have to make those hard decisions on both revenues and expenses, and I just think that we need to keep reminding the State because of their mentality to, towards their four votes on contracts, they basically driving the cost of the counties' requirements for minimum increases in taxation just to meet required collective

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bargaining requirements. And so I just share that that is, that's another reason why I feel we need to get our fair share, because a lot of the decisions we have very little input and yet we take the brunt of those requirements, including obligations of benefits. Thank you, Chairman.

CHAIR VICTORINO: Thank you. Any other comments? If not...yes, Mr. White?

COUNCILMEMBER WHITE: I'll, just like to add that, you know, as...I didn't mention it was on the presentation that the drop in our economic base for taxation which is the property values was so significant that we had to be the bad guys for over a period of time by increasing the taxes. So to say that, you know, we shy away from increasing taxes is simply --

COUNCILMEMBER HOKAMA: Not true.

COUNCILMEMBER WHITE: --not true.

COUNCILMEMBER HOKAMA: Right.

COUNCILMEMBER WHITE: We've increased effective tax rates on real property by about 25.8 percent in the last five or six years. So we have been the bad guys and as you say we don't shy away from doing sometimes the hard decisions that come with this job. So thank you, Chair.

CHAIR VICTORINO: And thank you for that clarification. I'll conclude by saying this, I support this resolution from the beginning and I think Mr. White can attest to that. I have never waived from it, and I've always believed in always going after what is your fair share in whatever area we were talking about. Mr. Hokama brings up the idea of collective bargaining and I think we've talked about that on many occasions in this Chamber, and we want the public to understand it's real difficult when each county has one vote, right, that's four votes and the State has five. We almost lose every time before we even get out of the gate and that goes for everything 'cause even with the HSTA and the Department of Education it's the same process. So it becomes a real difficult, you know, challenge to be fair when they have all the cards to play. It becomes also difficult because they tend to use and this is something that I want the public to understand the idea of judiciary and our schools. Mr. Hokama can attest to this, back in 1964, when they made these changes our forefathers had the foresight to understand that the schools and the judiciary in some of the counties could not or would not be able to be supportive by the tax base at that time and at that time it was really agriculture. If I'm correct, Mr. Hokama, and yet the, the base in Oahu was not only agriculture but it was visitor industry, hospitality industry, and the military, which is a big chunk that we here in Maui County don't see because we don't have any military operations in this County or whatever we have are very minimal, and that's one of the issues that sometimes the public fails to understand is that the military is a big, big supporter of our tax base. They spend a lot of money in this State and without them we would really be in a world of hurt. So that's why it's very difficult and sometimes very, very important that we support our military not only for

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what they do and give us all the opportunities we have here to enjoy the freedoms we have, but really the tax base that has really helped this State to move forward, and they're wonderful people a lot of them end up retiring. I have a lot of friends that are retired here in Maui County from the military. So all of that being said, it's a big picture. Mr. White can attest that we met in a private session with the Governor and his representative, a number of Councilmembers and went over a number of issues about the TAT, but it broadened itself to the whole picture and I think one of the things that came across and I'd be wrong, you correct me if I'm wrong, Mr. White, that it's time the County and State start to look in certain areas where we need to work as one instead of individually. And I think roads was one of the issues that was brought up, you know, that right now you have, you get the State Department of Transportation and you have the County Public Works or whatever they, each county calls their road crews and transportation systems, yeah, and maybe that would be one of the first areas to work with. There is a...it's time we relook at everything we do, and the Governor and his rep said that they'd be more than happy to work with us and bring the Legislature in and really let's look at it as an entire new paradigm. This is a new age, we've got to look to work together and change where we can change. Put together what we can and I think transportation will be one of the first areas I'd like to look at but there's others. But going back to what we're here today and, you know, I know it's kind of like shifts off but comes right back, it really comes down to the TAT and it's very important that we support the idea that what we do here today is really just getting the State to see another perspective, probably a realization of what is out there. I don't think some of them, these numbers have ever been seen by some of these legislators and I know when we present them, they're like really? And you've been there, Mr. White. And so with that being said, I can support this resolution. I think there's much more work to be done, and I hope the public understands that when we do this, we're doing this as a united front. We're not doing this as just Maui County. In this proposal, yes, this is Maui County's proposal but we support our sister counties. We all need to start working together, whether it's collective bargaining, whether it's the ability to invest our monies which Mr. Hokama has brought up a number of times, giving the counties the opportunity to invest where they feel more apt to get returns better suited for them and still keep a safe profile, you know, something that a folder would, of investments is safe. So there's a number of issues that we need to continue to deal with. But today, I'd like to make my recommendation and my recommendation is urging...I'd like to make a motion, entertain a motion to adopt the proposed resolution entitled Urging the Legislature to Provide the Counties with the Same Share of the Transient Accommodation Tax Revenue as the State.

VICE-CHAIR COUCH: So move, Mr. Chair.

COUNCILMEMBER WHITE: Second.

CHAIR VICTORINO: It's been moved by Mr. Couch and seconded by Mr. White. Any further discussion?

COUNCILMEMBER HOKAMA: Chair?

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CHAIR VICTORINO: Yes. Mr. Hokama?

COUNCILMEMBER HOKAMA: Chairman, I am first very appreciative of your words prior to the motion. I'll speak in support of the motion. One thing that I wish to have our community understand is when you look at the State's breakdown of allocation you find things such as the Hawaii Convention Center, you find things like their special fund and their Turtle Bay conservation easement and that's another, you know, it's things that make me, makes me question the wisdom of our State government. I cannot even recall a year where the convention center came close to breaking even and I hope I'm wrong, but in my recollection I cannot remember that facility breaking even. And so from a business perspective there comes a point where do we want to keep paying for something that needs to be subsidized on an annual basis or do something else with that property and put your, our investment where we may feel has a better return such as Aloha Stadium and the need of that area to have infrastructure reinvestment if the Governor is serious about developing Halawa as part of his corrections direction. But also the need then to beef up the State's required infrastructure that is basically at the stadium and then with the easement, yeah, we have an easement but we don't even own the land and we paid big money for that Turtle Bay easement of which we just have that easement. Questions why we spending that kind of money for those things when we could of put in our hospitals, healthcare and our schools? So I bring that up, Chairman, that, you know, we need to also question the State on some of their decisions and the justification of why they feel they need the TAT to pay for all this white elephants that keeps draining the funds of the taxpayers and not producing the outcomes that we expect. Because one thing I know and you know people are not satisfied with status quo, it's not good enough. That's what I hear, it ain't good enough, and so our challenge is to make it better without breaking the bank and that is something why I can look and be supportive of this morning. Thank you.

CHAIR VICTORINO: Thank you, Mr. Hokama, and again...yes, Ms. Willenbrink?

MS. WILLENBRINK: Point of clarification. Chair, it's a revised resolution. A slightly revised version was handed out this morning.

CHAIR VICTORINO: Okay, we're working off of the revised resolution and I think I said that many times, but if I did not say that...

MS. WILLENBRINK: As part of the motion. Yeah.

CHAIR VICTORINO: Okay.

COUNCILMEMBER HOKAMA: Yeah, we got it.

CHAIR VICTORINO: Okay. And, you know, thank you, Mr. Hokama. I wanted to say that, you know, you're absolutely correct why couldn't they have done like what we, what they did at Lipoa Point. Buy it, buy it, and we're thankful for the State's effort, that

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\$40 million did get us that 200-plus acres which now is under DLNR and they're still working on that and I know that's off the subject again, but it relates to Maui because it's land that we could utilize given control, and that's another thing a number of legislators have told me to my face is that in many cases they would prefer the County taking care of some of these issues. All I'm asking them is make sure the revenue comes with that. We don't just want the opportunity to take care. We'd like to have the revenues that are derived from that or that we can produce revenue off of that. So that's one of the other issues that I hear a lot at the Legislature, that they feel confident that they're, the counties can do a better job than sometimes their State agencies. However, I want to make sure funding, no more unfunded mandates. That's a killer, I mean we've had that for so many years, let's not have unfunded mandates. Give us the responsibility but give us some tax revenue or give us the ability to raise revenue to support that issue or that particular piece of property or whatever we're discussing, yeah. So like Iao, Iao's a classic example from the point of, beyond the heritage garden is the State and they're charging, but the lower part which they use the restrooms and all the other facilities is run by the County and we pay for all of those upgrades and maintenance of that area and we don't charge anything. You know, we've talked about why not just set the gate right down there by the bridge and charge and split the revenue between the County and State? Well that didn't go over real well but, you know, just one of those ideas, you know, and I know the resident might say oh, wait a minute, I can't go to Kepaniwai without paying well, you know, again there's some merit to that discussion, but that's another subject and another conversation. Anyhow, any further discussion? Yes, Mr. Couch?

VICE-CHAIR COUCH: Thank you, Mr. Chair. And I wanna thank Mr. White for bringing this up and giving us the numbers. I just would like to urge any way we can and I guess may have to go through the Chair's Office to get that, those numbers to at least the other councils so they can educate their population as to what's really going on. That is a huge thing and if we can get that, if we can encourage that education that might be able to turn the tide, you know, it's the whole if a butterfly flaps its wings somewhere eventually there's going to be a hurricane somewhere down the line. We gotta start now and get that, you know, the wind blowing and get the numbers out there and so that they can put pressure on their State legislators 'cause that's where it's going to happen is especially City and County, they gotta put pressure on their own legislators 'cause that's where they all are. So hopefully we can work on some sort of education. So thank you, Chair White, for bringing this up.

CHAIR VICTORINO: I believe this will go to the rest of the councils after this. In fact, some of them have received very similar information from you right, Mr. White?

COUNCILMEMBER WHITE: Yeah. Actually I made a presentation to the Kauai --

CHAIR VICTORINO: Kauai.

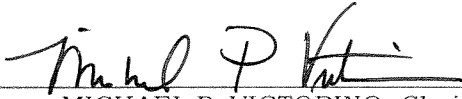
COUNCILMEMBER WHITE: --County Council two weeks ago and on March 1st I'm making a presentation to the Hawaii County Council.

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APPROVED:

A handwritten signature in black ink, appearing to read "Michael P. Victorino", is written over a horizontal line.

MICHAEL P. VICTORINO, Chair
Policy and Intergovernmental Affairs Committee

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Transcribed by: Jean Pokipala

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CERTIFICATE

I, Jean Pokipala, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 7th day of March, 2016, in Wailuku, Hawaii

A handwritten signature in cursive script, appearing to read "Jean Pokipala", is written over a horizontal line.

Jean Pokipala